

Concept note on the ECA on Digital Identity, Trade and Economy Initiative and Center of Excellence

1. Background: The ECA on Digital Identity, Trade and Digital Economy initiative

The digital economy is fast expanding in Africa. African countries, their regional organizations and the African Union are putting in place policies, strategies and regulations, to enable to take full advantage of the possibilities presented by digitalization to achieve national policy goals, realize continental Aspirations as set out in the African Union's Agenda 2063 *and* meet the targets of the UN Sustainable Development Goals (SDGs). AU Agenda 2063, and the SDGs envisage a prosperous Africa driven by science technology and innovation, where poverty has been eradicated. The recently signed and soon-to-be ratified African Continental Free Trade Area provides an additional instrument for achieving this objective. In recognition of the need to leverage digitalization, the January 2019 meeting of the African Union Specialized Technical Committee (STC) on Trade, Industry and Minerals, the STC made a recommendation for a Summit decision on good digital identity as a foundation for the digital economy. The STC also mandated the African Union Commission (AUC) in collaboration with Economic Commission for Africa (ECA) and other partners to develop a comprehensive strategy for Digital Identity (ID), Digital Trade and Digital Economy.

The digital economy is estimated by the World Bank to be worth USD 11 trillion in 2016, and 15.5 percent of global GDP and expected to reach 25 percent of global GDP in a less than a decade. Digital footprints today cut across a wide range of sectors, including information communication and technology for development (ICT4D), trade, transport, education, health etc. Africa has not been left out of the digital boom, although the potential has yet to be fully maximised. The continent is experiencing a technological revolution with an upsurge in the use of mobile devices, social media, information and communication technologies and big data, creating new channels for human interactions, and economic opportunities. In 2017, the mobile ecosystem supported 3 million jobs and contributed almost \$14 billion to the funding of the public sector in the form of

general taxation as well as sector-specific levies on the consumption of mobile services¹. Similarly, digital trade is rapidly growing, at an estimated annual rate of 40%, and is expected to grow to over \$300 billion by 2025². An expansion of digital trade will be of particular benefit to micro, small and medium-sized enterprises, which constitute more than 80 per cent of African enterprises. Yet these only represent a small proportion of the benefits that a digital economy can yield for Africa's overall development. Further opportunities exist in the digital economy for improving access and outcomes in governance, public service delivery, education, health etc.

But there are challenges on Africa's path towards a digital future. One such challenge is the lack of formal or legal identity by African citizens. The World Bank estimates that nearly 500 million African citizens (half the population of the continent) are without a legal identity. In many ways, the lack of robust identification buttressed by a poor Civil Registration and Vital Statistics (CRVS) system on the continent has contributed to marginalization and exclusion of many. The lack of legal identity has been recognized by all as a barrier to inclusive development, hence the inclusion of "legal identity for all by 2030, including through birth registration" as one of the targets of the SDGs. The lack of identities implies that about half of the continent's population are not only disempowered from meaningfully participating in the productive process to generate economic growth, but also are also inhibited from accessing various services to improve their well-being. Citizens who do not have legal identity have difficulty asserting their rights, including their rights of citizenship. Legal identity can spur innovation and entrepreneurship by reducing transactions cost and enhancing traceability of products. Legal identity can also strengthen the capacity of state institutions and their ability to deliver essential social services to the citizenry.

The rapid modernization and urbanization of African³ societies and the increasing sophistication of commercial transactions are increasing the need for legal identity. ID is required to obtain health services, tax certificates, travel documents, open bank accounts, exercise franchise, establish credit etc. Further, conflicts in Africa have resulted in the internal displacement of large numbers of

¹ GSMA 2018

² McKinsey 2013

³ Urban societies are known to be characterized by higher levels of impersonal transactions and lower levels of trust. A legal identity minimizes the constraint on market transactions arising from low trust in an impersonal environment.

people, all of who need humanitarian assistance. Without legal identity, it has been difficult to deliver humanitarian assistance to them and to repatriate them to their communities/countries following the cessation of hostilities. Against this backdrop, several African countries either on their own or with the support of development partners are taking advantage of rapid advances in digital technology to establish national digital ID platforms or systems, a key component of the digital economy, without which full participation in Africa's emerging digital economy will be nigh impossible.

Despite the opportunities digitalization presents, there is more to be done to enable the main drivers of digitalization in Africa. Only a few African countries have made progress in developing digital ID systems as a basis for legal ID, and to exploit the digital economy. Further, after almost 25 years of ICT development on the continent, for many African countries ICT readiness (infrastructure & access), ICT use, and ICT capability (skills) is still low, but rising, per the trends in the International Telecommunications Union's ICT Development Index. Internet penetration averages 20 percent, but with wide variations from with 90 per cent to 3 per cent, while only 7 percent of African households subscribed to high speed internet services at the end of 2017⁴. Similarly, mobile penetration was estimated at 44 per cent in 2017⁵.

Further, digital ID and the digital economy thrive on trust. Data privacy breaches, cyber-attacks and cyber-fraud around the world are on the rise, impacting on productivity, revenue and client trust in the digital economy. While digital ID is designed to mitigate the mitigate low levels of trust in the digital economy (and e-commerce in particular), a high level of trust is equally required for digital ID systems to succeed; i.e. trust in the ID issuing authority, in the design of the ID and in the technology⁶. It is important therefore that African countries have adequate regulation; particularly around data governance and digital platforms, to ensure that trust is preserved in the digitalization.

⁴ITU 2018

⁵ GSMA 2018 for sub-Saharan Africa

⁶ There has to be trust that the data will not be breached by outsiders and that the state will not use the date for nefarious purposes.

It is equally critical that the pursuit of digitalization is mindful of continental aspirations such as the “Free Movement of People” and the AfCFTA which should facilitate the creation of a common digital market. This reiterates the need for interoperability in digital platforms such as digital ID and payment systems, and hence harmonization of standards.

Cognizant of these developments and their relevance for African Member States, the Economic Commission for Africa (ECA) is working with the African Union Commission (AUC) on a Digital Identity and Digital Economy initiative to support member countries to fully harness the digital potential, and to exploits the benefits of digitalization for the continent’s development. This work is being done in tandem with the UN-World Bank joint initiative on Legal Identity Agenda, and also in collaboration with partners including Omidyar Network, Rockefeller Foundation and the World Bank. The initiative also builds on ongoing work on the continent, including the strengthening of CRVS systems and the fostering of a vibrant and inclusive digital economy.

2. The ECA Digital Center of Excellence

With this in view, a Center of Excellence on Digital Identity, Trade and Economy has been established by ECA to lead this work. The Center will serve as an on-demand source of technical advice for countries on their digital ID and digital economy. It will also undertake research on the multifarious dimensions of the digital economy as well as pool and coordinate digital-economy related work in the Commission. In particular, the Center will promote the harmonization of related standards across member states, support the development of regulation to safeguard security and the upping of investments in infrastructure, as well as develop capacity and skills of key actors in member countries, including the private sector to embrace the opportunities for innovation and job creation that digitalization presents. In addition, the Center will seek to backstop ECA’s support towards the creation of a digital common market under the AfCFTA, with a view to helping African countries, ICT operators and citizens exploit the opportunities and benefits associated to the digital economy in a continent wide market.

A key area of work for the Center is in defining and supporting the implementation of minimum standards for digital ID systems to safeguard inclusion, trust and interoperability, as well as the

harmonization of civil registration and digital ID systems. Further, following the mandate given by the STC-TIM, the Center in collaboration with the African Union Commission and other partners will also develop and support the implementation of a comprehensive strategy for Digital ID, Trade and Economy for Africa. Among others, the Center is exploring the cross-fertilization and sharing of best practices and experiences of countries that have made considerable progress on the digitalization.

3. The High-level Advisory Board

To provide a cutting-edge guidance for this work, the ECA has constituted a high-level Advisory Board made up of reputable officials in government, finance and technology (profile of Board members annexed).